ACQUISITION REFORM TRAINING MODULE
Implementing SAP/FACNET

- Using Simplified Acquisition

- Using Simplified Acquisition Exercise

- **Streamlining with FACNET**

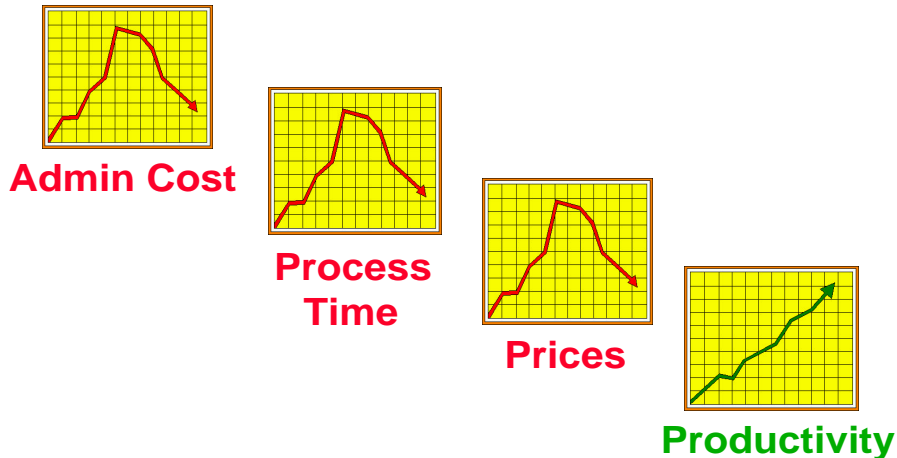- Streamlining with FACNET Exercise

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Next, I will present Streamlining with FACNET, the second lecture of this set. This outlines the changes brought about by the creation of the Federal Acquisition Computer Network as required by the Federal Acquisition Streamlining Act of 1994. The lecture focuses on the use of FACNET as a contracting means and what circumstances permit the use of means other than FACNET. It also identifies some of the management issues related to the use of FACNET.

The lecture will also highlight the benefits of FACNET and new skills required for the workforce to realize those benefits. It is followed by an exercise that will allow the student, when given sample requirements, to be able to identify correct contracting means for satisfying the requirements. The exercise will also contain a case study to examine the appropriate solutions to a FACNET management problem.
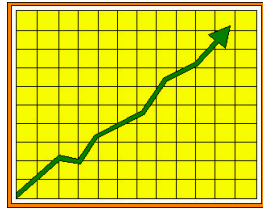
Benefits - The Government
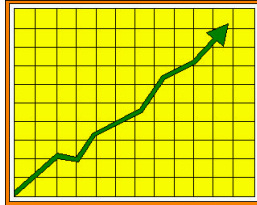
Admin Cost

Process Time

Prices

Productivity

Both the Government and contractors benefit from the use of electronic commerce. First let's look at the Government's benefits. They fall into four categories:

1. There is a significant reduction in administrative costs. A study estimated that DoD could realize a net savings of $98 million over a 10 year period by converting 16 different forms to electronic commerce. These savings accrue because, without paper, the labor to process transactions is reduced. Such tasks as making copies, distributing them, mailing, sorting, filing, and reconciling are no longer required. Also, repeated data entry is eliminated as well as error correction.

2. Process time is shortened leading to quicker customer service and yielding indirect benefits such as reduced inventories and the associated costs.

3. The methodology used by FACNET increases the visibility of Government requirements in the marketplace. This leads to more responses from more suppliers and, therefore, greater competition and lower prices.

4. Since more "buys" can be done quicker, the overall productivity of each buyer and each organization goes up.
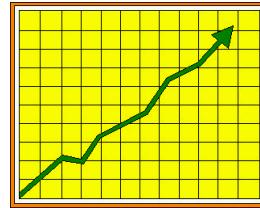
Benefits - The Contractor
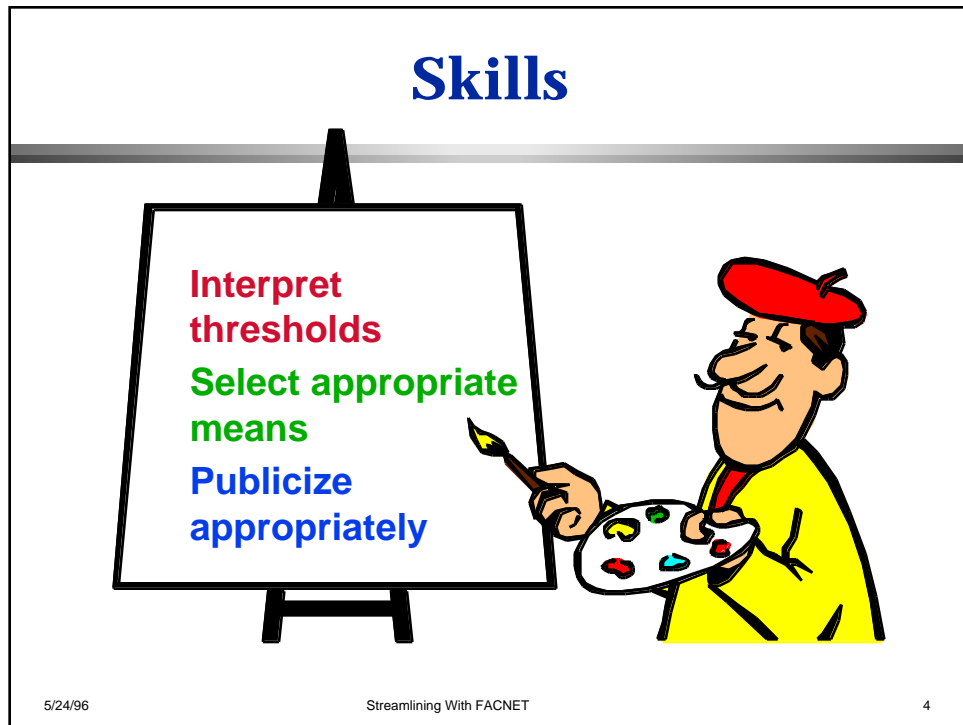
Efficiency

Opportunity

Improved Payment

Next, let's look at the benefits for the contractor. Changing business transactions from paper-based to electronic-based methodologies results in efficiencies for the defense contractor similar to those of the DoD. The three main benefits are:

1. There is a reduction in the time required to process transactions.

2. An increase in business opportunities will occur because the contractor will no longer have to register with each different defense buying office to be identified for solicitations. A single registration will allow each contractor to gain visibility of more Government requirements than ever before. Opportunity searches are more focused, by that I mean a contractor can find more opportunities with less effort by taking advantage of both automation and the Government-wide marketplace.

3. EC/EDI will be used for direct deposit of payments by electronic fund transfer resulting in more timely and more accurate payments. Improved payments result in better cash flow which helps all businesses.
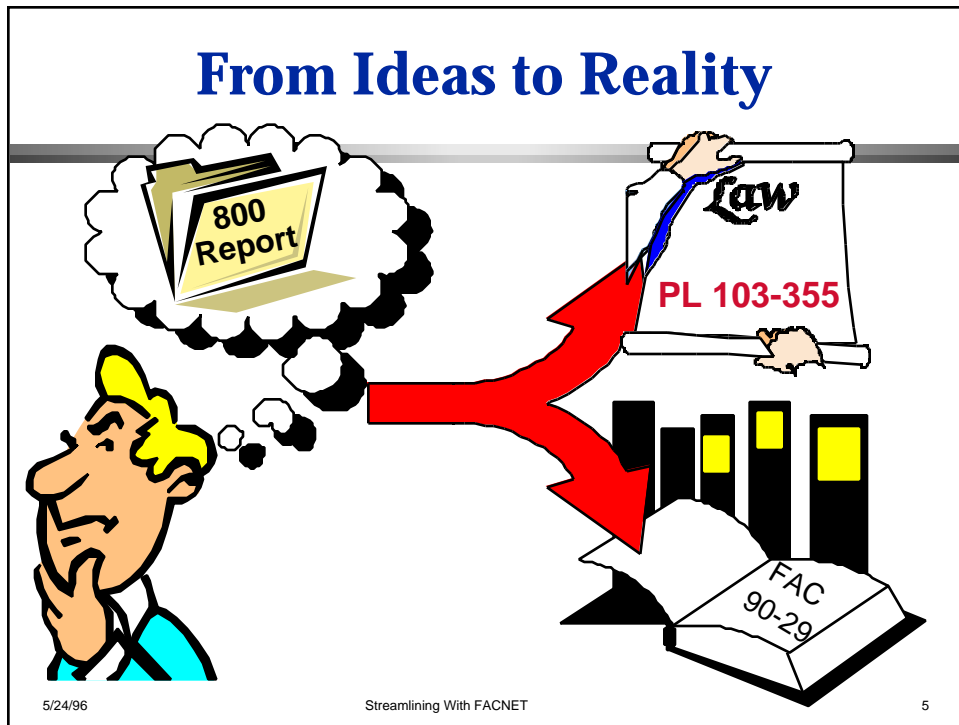
So the benefits are efficiency, opportunity and improved payment!

Skills

Interpret thresholds

Select appropriate means

Publicize appropriately

Just as was the case with using simplified acquisition, it is not so much that new skills are required with FACNET but that one must use old skills under new circumstances.

There are new thresholds to interpret. The higher thresholds include amounts that have not been customary for simplified methods. Consequently, a change is needed in the mind set of both the customer and the contracting professional to take full advantage of the benefits to be gained.

The same acquisition methods are used as discussed in the previous lecture. However, using FACNET does relieve the need to publicize solicitations under the simplified acquisition threshold.

From Ideas to Reality

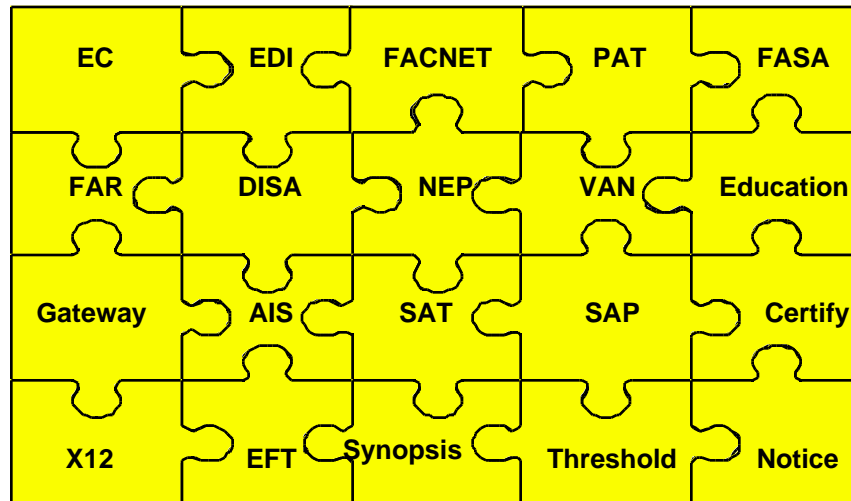Before we go on, I want to make a brief mention of how FACNET came into being.

The Streamlining Defense Acquisition Laws Report or so-called "800 Report" recommended that the small purchase threshold be raised to a $100,000 simplified acquisition threshold.

In October of 1994, Congress passed and the President signed Public Law 103-355, Federal Acquisition Streamlining Act of 1994 (FASA). A key part of FASA was the creation of the Federal Acquisition Computer Network or FACNET and that the use of the use of Simplified Acquisition Procedures (SAP) up to the Simplified Acquisition Threshold (SAT) of $100,000 required interim FACNET certification. The changes needed in the FAR to implement FACNET and SAP were developed in FAR Case 91-104, Electronic Contracting and FAR Case 94-770, Simplified Acquisition Procedures/ FACNET. These FAR cases were implemented as interim rules in Federal Acquisition Circular 90-29 on July 3, 1995.

So, we find reforms called for in the "800 Report" taking shape in the DoD PAT Report, becoming law and regulation through PL 103-355 and FAC 90-29.

FACNET
Making the Pieces Fit

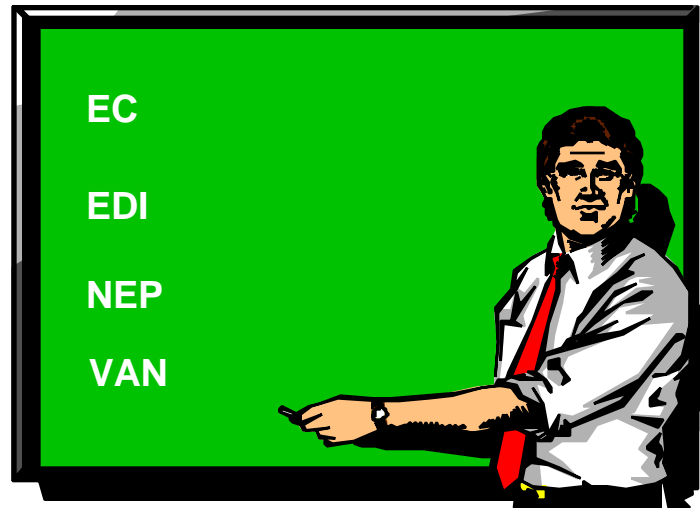|				
EC	EDI	FACNET	PAT	FASA
FAR	DISA	NEP	VAN	Education
Gateway	AIS	SAT	SAP	Certify
X12	EFT	Synopsis	Threshold	Notice

FACNET is the Government-wide Electronic Commerce/Electronic Data Interchange (EC/EDI) systems architecture for the acquisition of supplies and services. It provides for electronic data interchange of acquisition information between the Government and the private sector, employs nationally and internationally recognized data formats, and provides universal user access.

FACNET, to some, may appear to be a jumble of pieces that don't yet fit together. What is an NEP? What is a VAN? How does this new methodology affect the notice and synopsis functions? These are just a few of the questions you may have.

In the next few slides, I will give the relationship of these various pieces and explain how FACNET enables the contracting professional to streamline the process.

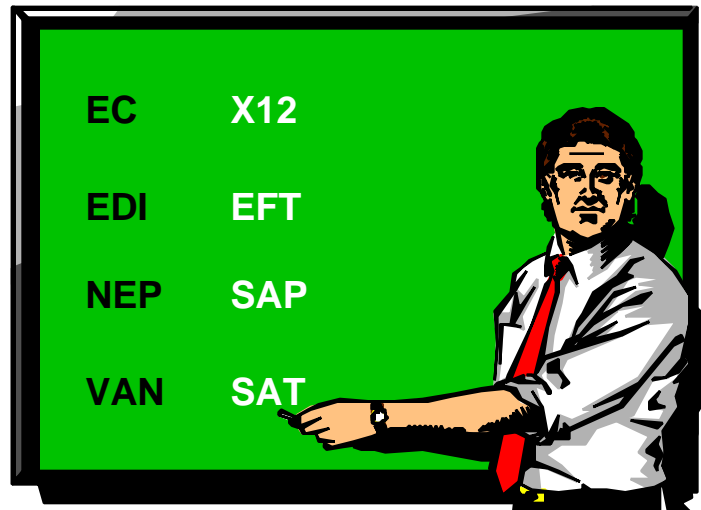Here are a few of the key terms that form the foundation of much of the discussion on Streamlining with FACNET. Let me give you short definitions:

- Electronic Commerce (EC) is the integration of electronic mail, electronic funds transfer, EDI, and similar techniques into a comprehensive, electronic-based system encompassing all business functions.

- Electronic Data Interchange (EDI) is the computer-to-computer exchange of interorganizational business data using a public standard.

- A Network Entry Point (NEP) is the point through which all EDI transactions pass from the Government to the contractor and back. The NEP is an important part of the FACNET architecture.

- The Value Added Network (VAN) is a commercial enterprise offering data management services for a fee to contractors who want to do business with the Government via FACNET.

Key Terms

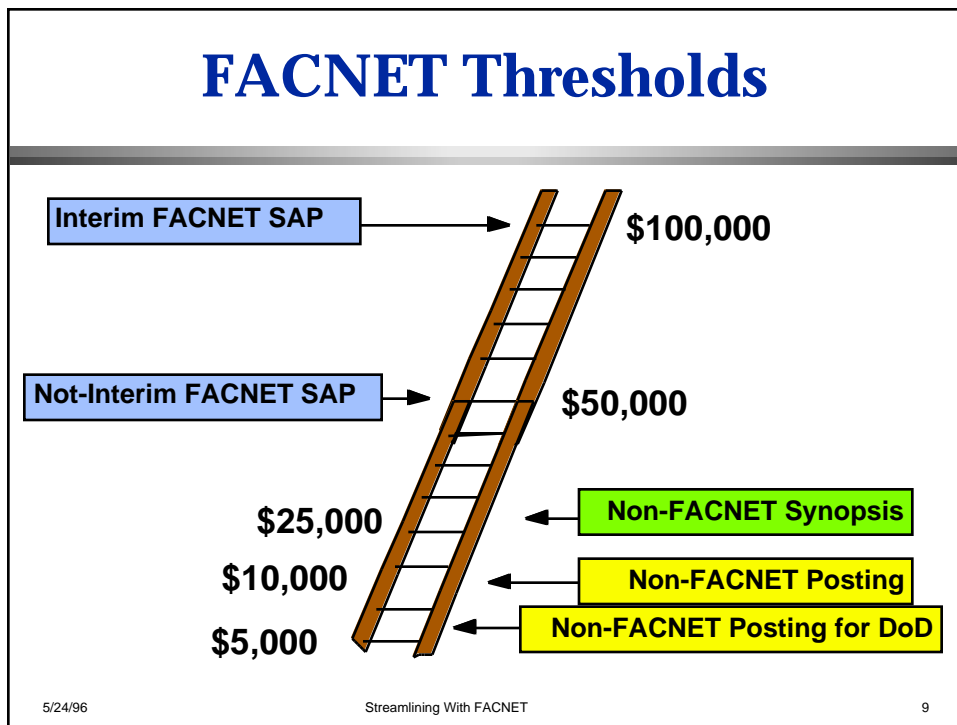| EC	X12
EDI	EFT
NEP	SAP
VAN	SAT

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- X12 is the data standard for cross-industry electronic interchange of business transactions. FACNET uses the X12 standard.
- Electronic Funds Transfer (EFT) is the exchange of payment and remittance information electronically.
- Simplified Acquisition Procedures (SAP) are the methods described in FAR Part 13 for purchasing supplies and services using imprest funds, purchase orders, blanket purchase agreements, Government-wide commercial purchase cards, or any other appropriate authorized method.
- The Simplified Acquisition Threshold (SAT) is $100,000. In the case of any contract to be awarded and performed, or purchase to be made outside the United States in support of a contingency operation, the term means $200,000.

Now you have some basic definitions. Let's see how FACNET affects thresholds.

FACNET is the preferred means for requirements exceeding the micro-purchase threshold but not exceeding the simplified acquisition threshold. Also, FACNET gives the Government the capability of widespread notification of Government business opportunities. Consequently, neither posting nor synopsis is required when using FACNET up to the SAT. However, some business opportunities will not be displayed via FACNET. These non-FACNET opportunities must be publicized as follows:

- For proposed contract actions expected to exceed $10,000 ($5,000 for Defense activities), but not expected to exceed $25,000. An unclassified notice of the solicitation must be displayed in a public place at the contracting office issuing the solicitation.

- For proposed contract actions expected to exceed $25,000, publicizing will occur by synopsizing in the Commerce Business Daily.

- Additionally, the threshold for use of SAP is conditioned on being interim FACNET certified. If so, you can use SAP up to $100,000; if not, you can use SAP only up to $50,000.

To summarize, the bottom three thresholds pertain to publicizing non-FACNET contract actions. The top two thresholds pertain to the use of SAP and are dependent on whether or not an activity is interim FACNET certified.

Exemptions to FACNET

HCA may make class exemption determinations

Contracting officer may make case-by-case determination to exempt

The Head of Contracting Activity (HCA) may make a class of requirements exempt from FACNET. Also a contracting officer may, on a case-by-case basis, exempt requirements from FACNET. These determinations will be based on the fact that FACNET is not practicable or cost effective.

Next, I will give you some examples of requirements and ask for your interpretation of these thresholds.

Example

Legend

F -FACNET	p -posting
n -non-FACNET	s -synopsis

Requirement	F	n	p	s
The Director of Industrial Operations requests the purchase of 10 hand cart portable class A fire extinguishers at an estimated price of $1,000 each and 10 hand cart portable class B fire extinguishers at an estimated price of $5,000 each.				

Assume you are a contracting officer in the Contracting Directorate at a Defense Installation. For six months your office has been certified interim FACNET capable. You sit down at your desk and have an in-box with new requirements. You put a control sheet on each one and make simplified acquisition method recommendations before passing them to your specialists. In the space beside each requirement you place a check mark to indicate whether the better means is FACNET (F) or non-FACNET (n) and whether Posting (p) or Synopsis (s) is required. Read this requirement. What's your call?

Since the requirement is above the micro-purchase threshold, FACNET would be the preferred solution.

Example

What's Your Call?

Legend		
F - FACNET	p - posting	
n - non-FACNET	s - synopsis	

Requirement	F	n	p	s
The Installation Engineer requests the purchase and installation of four emergency eyewash stations at a total estimated price of $4,000. A FACNET RFI indicates there are no FACNET sources available for the requirement.				

Read this requirement. What's your call?

Since there is no FACNET source available, a non-FACNET means is appropriate. However, a contracting officer determination must be made regarding the circumstance for not using FACNET. Since the requirement is less than $5,000, no posting or synopsis is required.

Example

Legend	
F -FACNET	p -posting
n -non-FACNET	s -synopsis

Requirement	F	n	p	s
The Director of Industrial Operations requests the purchase of 10 drums of Industrial Epoxy Coating at an estimated price of $1,200 per drum. The Head of Contracting Activity in your command has determined that the acquisition of paint and paint products is exempt from FACNET. The recommended source is Bolvard Paint Supply.				

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Read this requirement. What's your call?

Since there is a class exemption for this requirement, a non-FACNET means is appropriate. Since the requirement is more than $5,000, posting is required; but, since the requirement is less than $25,000, a synopsis is not required.

Example

Legend

F	-FACNET	p	-posting
n	-non-FACNET	s	-synopsis

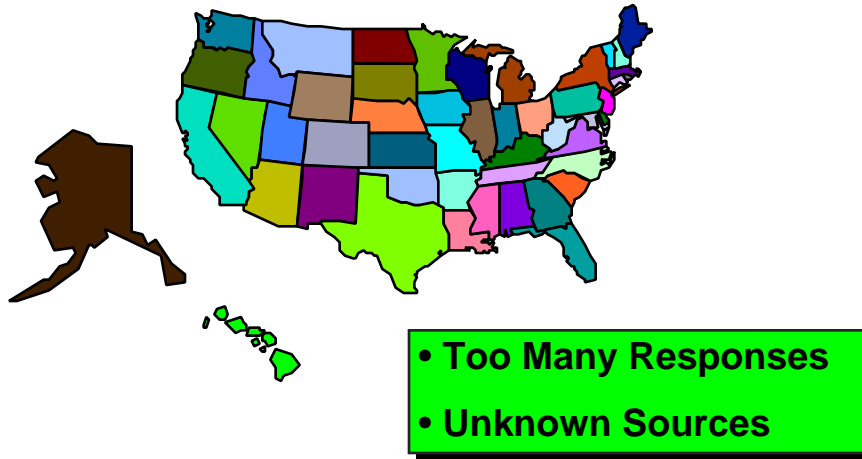| Requirement	F	n	p	s
The Office of the Training and Security requests the purchase of 10 ice machines at an estimated price of $3,000 each. A FACNET RFI indicates there are no FACNET sources available for the requirement.				

Read this requirement. What's your call?

Since there is no FACNET source available, a non-FACNET means is appropriate. However, a contracting officer determination must be made regarding the circumstance for not using FACNET. Since the requirement is more than $25,000, a synopsis is required.

Management Issues
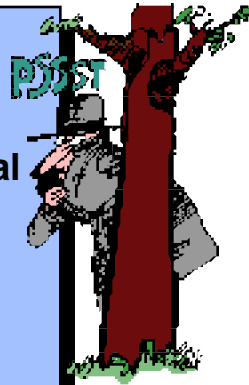
- Too Many Responses
- Unknown Sources

The use of FACNET introduces some management issues. It is possible that widespread notification will result in too many responses to be manageable. Experience in prototype systems shows that initial ratios of responses to solicitations are large but not unmanageable. After a period of time, the rate approached a stable ratio of approximately 4 to 1. Another concern is that widespread notification will result in awards to unknown sources. These sources may perform poorly.

As mentioned in the previous slide, it is possible to exempt requirements from FACNET. This can be done by a class exemption or by an individual contracting officer determination on a case-by-case basis.

Next, I will show you two real examples of class exemptions to the use of FACNET. Remember these class exemptions only apply to the contracting activities that are subordinate to the HCA that made these determinations. They are not exemptions that apply universally to the Federal Government, the DoD, or any particular service.

Exemptions - Example 1

- Sensitive or classified acquisitions
- Directed foreign military sales requirements
- Requirements that require non-textual attachments
- Urgent/walk through service, supply, and subsistence requirements
- Pierside requisitions
- Local commuting area requirements

The first example has eleven criteria, any one of which is reason for exemption. I will use two slides to present them. The are self-explanatory. I will let you read them. He are the first six.

Exemptions - Example 1

- **Actions issued against established contracts**
- **Sole-source and technical representative services**
- **Actions for performance outside the United States and its possessions**
- **Section 8(a) actions**
- **Actions not supported by the applicable procurement automated information system (AIS)**

These are the last five. Are there any questions?

Exemptions - Example 2

Procurements that do not meet all of the following criteria are exempt from the use of FACNET:

- Customer requirements transmitted and accepted automatically into the specific AIS
- Contracts eligible for currently available ANSI X.12 transactions
- Requirements which exceed the micro-purchase threshold
- Contracts/orders that do not require bilateral signature to be contractually binding
- Requirements deemed by the contracting officer to be practicable or cost-effective to process by FACNET

This is the second example.

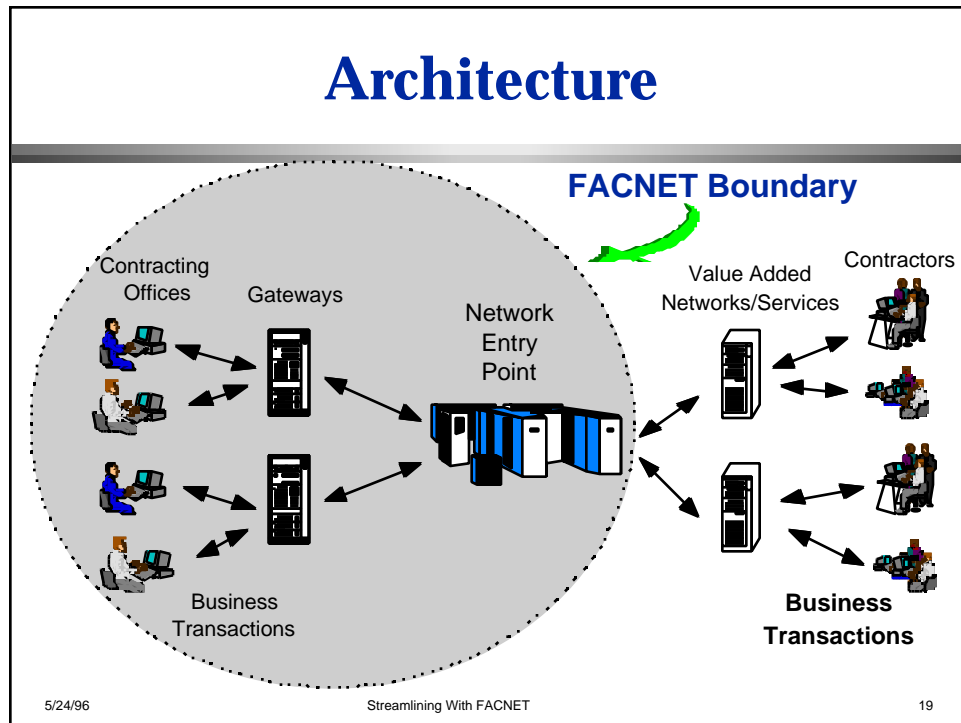The first criteria appears to eliminate paper-based requirements.

The second points out that some business transactions aren't yet supported by FACNET.

The third acknowledges that FACNET is not the preferred means below the micro-purchase threshold.

The fourth introduces the idea of signature.

The last criteria recognizes that on a case-by-case basis, a contracting officer can make a requirement exempt from FACNET.

Are there any questions?

Architecture

FACNET Boundary

Contracting Offices — Gateways — Network Entry Point — Value Added Networks/Services — Contractors — Business Transactions

I want to move away from methods and management issues to some other related aspects of FACNET.

This is a picture of the total FACNET architecture. The Network Entry Point (NEP) is at the boundary of FACNET. The total architecture consists of:
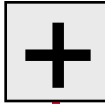
- Government contracting offices with their own individual contracting AISs or Automation Information Systems.

- Gateways that collect, translate, and route data.

- The NEP, which provides single face connectivity between the Government and contractors.

- VANs collect data and provide data services to contractors for a fee.

- The contractors with varying levels of automation capabilities.

It should be noted that FACNET includes only the three components listed inside the circle. VANs and contractors are not a part of FACNET, but rather interface with FACNET to exchange data.

Solicitations move from left to right, as do orders. Quotes move from right to left.
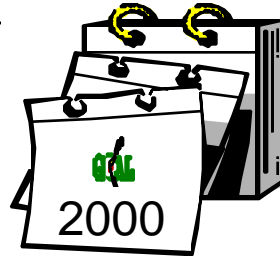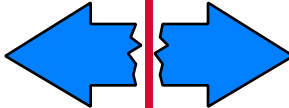
Interim vs Full FACNET Capabilities

- Solicitation
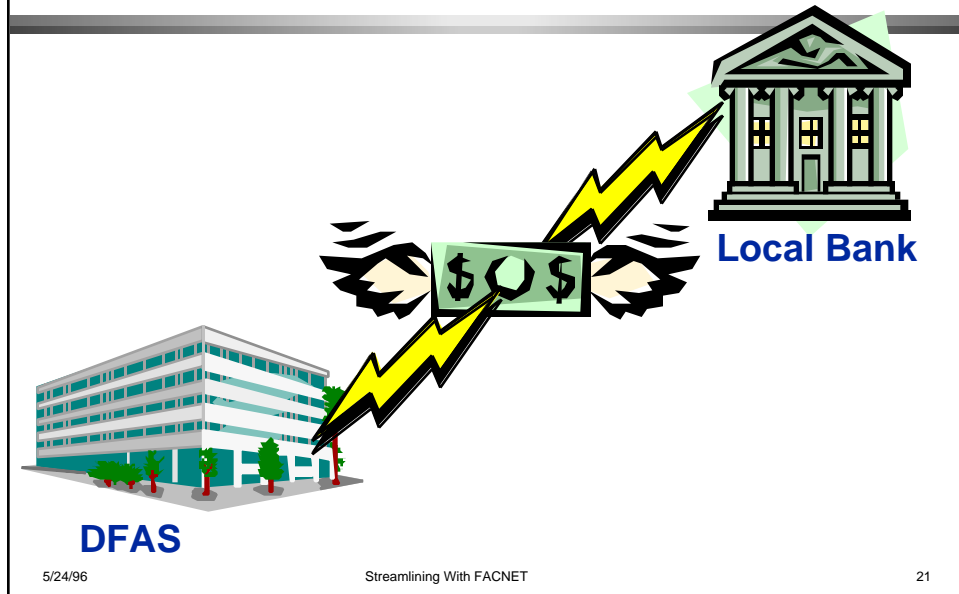- Response

+

- Award
- Payment

Now

2000

The next related aspect of FACNET is to distinguish between interim and full FACNET. Interim FACNET capabilities deal with solicitation and responses. Full FACNET capabilities, not required until the year 2000, additionally pick up awards and payments. If an activity has interim FACNET certification now, the activity may use simplified acquisition procedures up to $100,000. In the year 2000, the entire agency must be full FACNET certified to retain that authority. Otherwise, the authority to use simplified procedures reverts back to $50,000.

Electronic Fund Transfer

Local Bank

DFAS

Electronic Fund Transfer, (EFT), is one of the more beneficial features of electronic commerce for the contractor. EFT is similar to the direct deposit feature so many people choose for their personal payroll deposit where, at the proper time net pay is electronically deposited directly into an individual's local bank account. With EFT the Defense Finance Accounting Service, (DFAS), electronically transfers payments to a contractor's local bank account.

DoD FACNET Certification
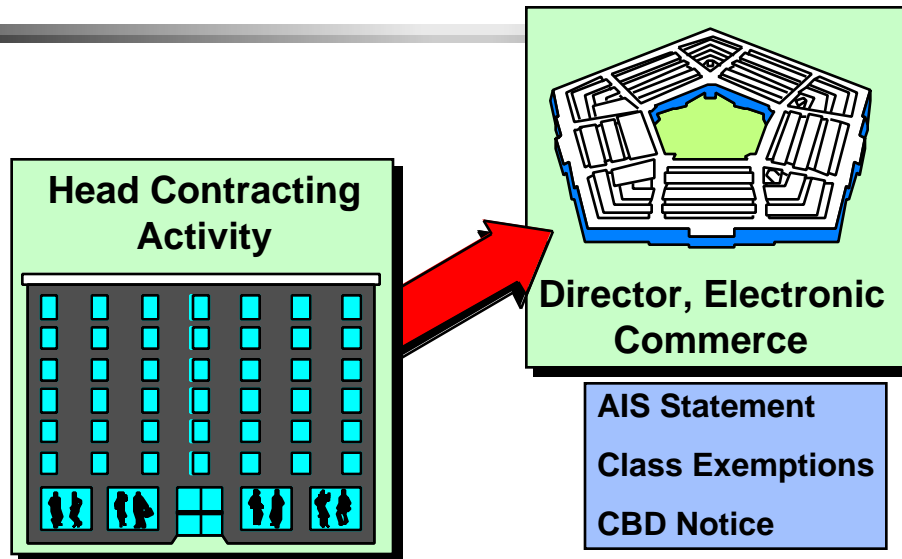
Capabilities

Architecture

Data Standards

FACNET

Finally, I want to discuss the certification process within DoD. The Director, Electronic Commerce defines the interim FACNET certification in terms of Automated Information System capabilities, use of the Approved EC/EDI Architecture, and use of the approved data standards. If your system meets these requirements, you can become interim FACNET certified.
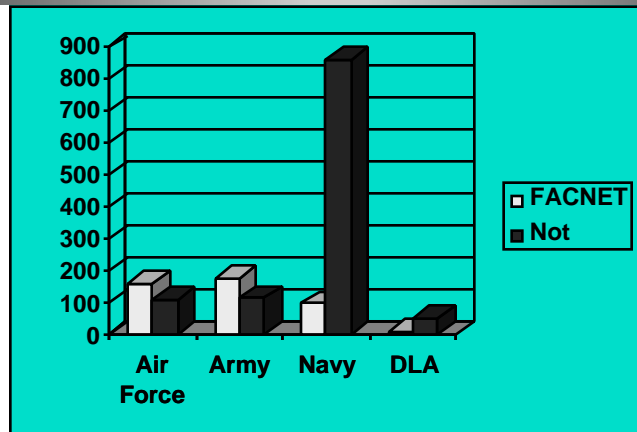
Certification, Request Process

Head Contracting Activity

Director, Electronic Commerce

AIS Statement

Class Exemptions

CBD Notice

A request for certification must be initiated by the Head of Contracting Activity or designee through the Senior Procurement Executive or designee to the Director, Electronic Commerce. It must include an AIS statement. This statement must identify the AIS being used and include the fact that it has met all requirements for interim FACNET certification. The request may be on an individual contracting office basis.

The request must be accompanied by a copy of the Head of Contracting Activity determination for any exemption of contract actions on a class basis as to the use of FACNET. Finally, the request must contain an appropriate Draft Notice to Commerce Business Daily.

Activities Certified

November 1995

This graph portrays the DoD activities, as of September 1995, that were interim FACNET certified as well as those activities that were not. The information is at the contracting activity level and was provided by the DoD Electronic Commerce Office. The actual numbers follow:

- The Air Force had 160 FACNET activities and 105 activities that were not yet FACNET, for a 60 percent implementation rate.

- The Army had 173 FACNET activities and 112 activities that were not yet FACNET, for a 61 percent implementation rate.

- The Navy had 95 FACNET activities and 864 activities that were not yet FACNET, for a 10 percent implementation rate.

- Finally, DLA had FACNET at 5 FACNET activities and 52 activities that were not yet FACNET, for a 9 percent implementation rate.

The total number of FACNET activities was 433 out of a possible 1,566 for an overall implementation rate of 28 percent. (This information may be updated by calling 1-800-EDI-3414).

Summary

FACNET

- Saves time and money
- Accomplishes widespread notice
- Preferred above micro-purchase up to SAT
- Linked to use of Simplified Acquisition Procedures

Certification

- Request procedure
- Standard capability

In summary, EC/EDI is here because it benefits those who use it. It accomplishes widespread notice and is the preferred means above the micro-purchase threshold and below the simplified acquisition threshold. The use of EC/EDI is directly connected to the increase in the dollar level at which you can use simplified acquisition procedures. Certification is the path to obtaining the permission to use simplified acquisition procedures at the higher dollar threshold. Certification must be requested based on using a standard capability.

As certification and use of FACNET works its way into the contracting community, the benefits will grow. More and more business transactions will be done electronically and more and more business functions will turn to electronic commerce. As this transformation takes place, FACNET will takes its rightful place in the acquisition work place as another tool to get the job done. This concludes the Streamlining with FACNET presentation. Are there any questions?

Next, I will tell you about the exercise you will be doing.